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ABSTRACT

The study was made: to review legislation authorizing the Job Opportunities in the Business Sector (JOBS) program and related Department of Labor policies and instructions; to examine records and documents relating to JOBS contracts at both Labor and selected contractors; and to discuss the contracts examined with Labor and contractor officials. Opening sections give background information on changes in the program and discuss, with examples, the need to redefine the target population for JOBS-type programs. Succeeding sections present in detail the need for improvement in the procedures for certifying eligibility of prospective trainees and the need to discontinue the use of occupational skill levels for determining length of training. The report recommends that the Department of Labor ensure that prime sponsors who carry out JOBS-type programs under CETA (Comprehensive Employment and Training Act of 1973) limit training to disadvantaged individuals who require costly on-the-job training and supportive services; and provide payments to employers only for the costs of training and supportive services to program enrollees which are over and above those normally provided by the employer. Also, a copy of the report should be sent to all prime sponsors as a case study of problems to be avoided in JOBS-type programs. (Author/NH)

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Opportunity To Increase Effectiveness Of JOBS-Type Programs To Be Funded Under CETA

B-163922

Department of Labor

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UNITED STATES
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SEPT. 23, 1974

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MANPOWER AND WELFARE
DIVISION

B-163922

The Honorable
The Secretary of Labor

Dear Mr. Secretary:

We have reviewed Department of Labor actions on the recommendations in our March 24, 1971, report to the Congress entitled "Evaluation of Results and Administration of the Job Opportunities in the Business Sector (JOBS) Program in Five Cities" (B-163922).

Our review, completed in December 1973 and performed primarily at Labor's region IX office in San Francisco, included (1) reviewing legislation authorizing the JOBS program and related Labor policies and instructions, (2) examining records and documents relating to JOBS contracts at both Labor and selected contractors, and (3) discussing the contracts examined with Labor and contractor officials. We did not examine the noncontract portion of the program.

In January 1973 Labor issued revised JOBS contract guidelines which incorporated a number of our recommendations. We did not attempt to measure the effect of these changes on program performance since they had been in effect only a short time when our fieldwork was conducted.

Some of the problems discussed in the report, however, were not corrected and continued to limit the program's effectiveness. These matters and our recommendations for improving program effectiveness are presented below to assist Labor in monitoring the JOBS-type training programs which may be carried out by State and local sponsors under the Comprehensive Employment and Training Act of 1973 (CETA) 87 Stat. 839. Because we believe that this information will be useful to CETA sponsors, particularly since they have not had extensive experience in JOBS-type programs, we suggest that you send copies of this report to them; we have arranged to provide Labor with an adequate number of copies for this purpose.

BACKGROUND

The JOBS program was directed at disadvantaged persons who need on-the-job training (OJT) and supportive services, such as health care and counseling, to enable them to become productive workers. The program was founded on the premise that immediate placement in jobs with private employers at relgular wages, followed by OJT and supportive services, provides superior motivation for disadvantaged persons.

The Secretary of Labor, in cooperation with the National Alliance of Businessmen (NAB), has administered the program on a national basis since its beginning in January 1968 under the Economic Opportunity Act of

1964, as amended (42 U.S.C. 2740), and the Manpower Development and Training Act of 1962, as amended (42 U.S.C. 2571).

The program went through a series of changes after it began. It was developed and implemented by a series of individual manpower assistance programs--specifically designated as MA-3 through MA-7. MA-1 and MA-2 preceded the JOBS program and were experiments to define and verify the concepts on which the contracting format was to be based.

The JOBS program was operated under fixed-unit-price contracts negotiated by Labor with individual employers or with employer consortiums. The contracts provide for the payment of the contractors' extraordinary costs for training and supportive services to the trainees. As of December 31, 1973, Labor had paid contractors nearly $400 million for about 368,000 JOBS participants.

As of July 1 of this year, Labor no longer administered a national NAB/JOBS program. Instead, State and local sponsors under title I of CETA, are authorized to contract directly with private employers for JOBS-type projects and to reimburse them for their costs of recruiting, training, and supportive services which are over and above those normally provided by the employer.

NEED TO REDEFINE THE TARGET POPULATION FOR JOBS-TYPE PROGRAMS

Our earlier report pointed out that Labor's definition of the disadvantaged segment of the population eligible for enrollment in the JOBS program was far too broad and encompassed many persons who had no clear and legitimate need for program assistance and who appeared to require only job placement. We recommended that Labor redefine the parameters of the disadvantaged segment of the population and focus program resources on those persons who were not job ready and who required the program's costly OJT and supportive services. We also recommended that Labor provide detailed instructions to local employment services' job counselors and placement officials for screening prospective enrollees and require a written justification showing how each applicants' specific needs were to be fulfilled.

Labor agreed that the basic eligibility criteria should include a job-readiness determination; however, this was never incorporated into program guidelines. Instead, the "target population" continued to be defined generally as poor persons who were not suitably employed and were either (1) school dropouts, (2) under 22 or at least 45 years of age, (3) handicapped, or (4) subject to special obstacles to employment. "Poor persons" were defined as those whose families receive cash welfare payments or whose net incomes, in relation to family sizes and location, do not exceed income levels defined in the Office of Economic Opportunity Poverty Guidelines.

As a test of the appropriateness of the trainee selection criteria, under MA-6 contracts, we reviewed 356 of 853 trainees hired before May 1973 under 7 of the largest contracts in the San Francisco Bay area. Region IX reported that, as of April 30, 1973, 4,631 trainees had been hired under its active MA-6 contracts.

We discussed our samples with employers' personnel officials and reviewed personnel records to determine the enrollees' actual need for the comprehensive training provided. As shown in the following table, we concluded that 91, or 26 percent, of the trainees did not need the program's comprehensive training.

Trainee classification	Trainees	Percent
Met JOBS program objectives	199	56
Did not need JOBS training	91	26
Indeterminate (note a)	66	18
Total	356	100

a/Insufficient information to determine their appropriateness for enrollment in the program.

The 91 trainees did not appear to need the program because (1) their work history or scholastic achievement indicated they possessed employable skills and (2) their employers believed they were overqualified and could have gotten suitable employment without the program.

Some examples of the enrollees who did not appear to need JOBS training follow.

--An enrollee, hired as an office clerk, had previously worked 8 years as a clerk typist and had completed 1 year of beauty college, receiving a beautician license.

--An enrollee, hired as a sales clerk, had about a year and 6 months of experience as a sales clerk and had scored above the 12th grade level on a scholastic aptitude test.

--An enrollee, hired as a sales clerk, had completed 2 years of college, had 2 years' and 9 months' experience as an account clerk, and had been unemployed only 7 weeks in the 12 months before entering the program.

--An enrollee, hired as a drywall applicator, had completed 3 years of college, had worked during school as a part-time

athletics director, had 2 years' experience as a shipping-receiving clerk, and had not been unemployed in the 12 months before entering the JOBS program.

--An enrollee, hired as a retail grocery clerk, had 2 months' Opportunities Industrialization Center training as a grocery clerk directly before entering the program and had experience as a teacher's aide for 1 year, a product inspector for 1 year, and an auto assembler for 2 years and 9 months--nearly all continuous employment.

We identified 11 enrollees in our sample (3 percent) who we concluded did not need the JOBS program because their only apparent employment barrier was an English language problem. One of these, hired as a grocery clerk, had received a bachelor of science degree in mechanical engineering in the Philippines and had 7 years' experience as a mechanic and 5 years as a machinist.

Although Labor did not require JOBS contractors to screen individuals referred to them for hiring under the program, one contractor took precautions to determine whether a referral actually needed training. This employer administered an employment qualifications test which the applicant had to fail (score below eigth grade level) to be hired into the JOBS program. An applicant who failed still would not be hired into the program if he was eligible for hire as a regular employee because of prior experience. An official of this employer said about 20 percent of JOBS referrals were considered for normal hire because they passed the test or had prior experience. Our sample of 26 persons hired into the JOBS program by this employer showed that only 1 did not appear to need the program.

An official of another contractor, who had participated in the JOBS program since 1968, said the quality of referrals had increased substantially in recent years, particularly after the Vietnam-era veterans amendments were added to the eligibility criteria. In his estimation, the program generally does not serve the target population for which it was originally designed--the least qualified or poor, disadvantaged persons. Instead, he believes the program serves the most qualified--those individuals who are job ready but who can be accepted under the very broad eligibility criteria.

Under the new CETA legislation, manpower program enrollees, including those participating in JOBS-type projects, must be economically disadvantaged, unemployed, or underemployed. These criteria are broader than those used for the national NAB/JOBS program which limited enrollment to certain segments of the disadvantaged. To facilitate implementation of CETA, Labor issued technical assistance guides to each prime sponsor which suggested intake and assessment procedures for selecting from eligible applicants those

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individuals to be served. The guides stated that the individual's training is to be directly related to his abilities, needs, and interests and suggest that "job-readiness" determinations be made at intake.

Manpower Administration officials stated that full compliance with CETA regulations and judicious implementation of the technical assistance guides should minimize if not eliminate the problem of participants who do not need JOBS-type training. We agree with this observation in principle, particularly the need for judicious implementation of the regulations. The basic eligibility criteria under CETA, however, is broader than that used for the national NAB/JOBS program, and the technical assistance guides do not require but merely suggest that prime sponsors carry out certain intake and assessment activities in selecting from eligible applicants those individuals to be served. Therefore, Labor should insure that JOBS-type training is limited to eligible applicants who require costly OJT and supportive services.

NEED FOR IMPROVEMENT IN THE PROCEDURES FOR CERTIFYING ELIGIBILITY OF PROSPECTIVE TRAINEES

Our earlier report pointed out that substantial improvements were needed in the procedures and practices for ascertaining and documenting the eligibility of persons for the JOBS program. We recommended that Labor develop more exacting procedures for screening prospective trainees and stated that such procedures should provide for reasonable substantiation of those elements upon which eligibility determinations are based, particularly applicants' statements about their family incomes.

Labor said it would consider additional steps to strengthen the eligibility determination process but did not implement our recommendation. For example, Labor's instructions continued to state that certifying agencies would not verify family incomes reported by potential JOBS trainees.

We reviewed the contractors' personnel records of our sample of 356 trainees to obtain some indication of whether ineligible applicants were continuing to be enrolled in the JOBS program. Income data on the contractors' job application forms, prepared by the trainees, and total family income data and welfare status shown on Labor's hire cards indicated that about 12 percent of the trainees had family incomes which exceeded Labor's eligibility criteria and were not members of families on welfare.

In some instances the income reported by the enrollees substantially exceeded Labor's criteria. For example, the personnel file for one trainee showed that he had no dependents; had no history of being on welfare; had been fully employed during the 12 months preceding enrollment in the program; and had earned $4,100 during that period, or $2,200 more than Labor's income criteria. In another case, a housewife worked under the

JOBS program for the same employer that her husband worked for as a regular employee. Although she had been unemployed during the 12 months preceeding enrollment in the program, considering her husband's annual income of $6,600, her family income for purposes of determining eligibility exceeded Labor's criteria by $3,300.

Officials of two contractors visited told us they had refused to hire some of the individuals referred to them by the local employment services offices for enrollment in the JOBS program. Both contractors required prospective enrollees to furnish data on prior income, and one required enrollees to sign a statement certifying the accuracy and completeness of the data. Individuals were refused enrollment if their own statements showed they were ineligible because of clearly excessive, prior income. The contractor officials said that they refused to hire only those who were clearly ineligible for the program because all trainees arrived for their job interviews with cards prepared by the referring agency which certified that they had already been determined eligible.

Representatives of Labor's region IX office in San Francisco generally agreed that some ineligible persons were still being enrolled in the program.

Manpower Administration officials stated that the technical assistance guides issued to prime sponsors under CETA state that applicants' eligibility is to be determined during the intake process, but, at this time, there are no specific detailed procedures for the prime sponsor to follow to insure full compliance. The officials stated further that it would require a great deal of time to actually investigate each answer supplied by the applicant in determining eligibility. The officials stated, however, that Labor's regional offices would monitor the activities of prime sponsors and would deal with flagrant or frequent errors in eligibility determinations.

In view of the recurring nature of this problem and the legislative requirement that CETA manpower services be concentrated on those most in need of them, we believe it is especially important that prime sponsors give appropriate consideration to those elements upon which eligibility determinations are made, particularly applicants' statements about their family incomes. In our opinion, it is not realistic to accept such information without verifying it, at least on a test basis. Confirming, through appropriate tests and other means, information that provides the basis for Federal benefits is a well established practice.

NEED TO DISCONTINUE THE USE OF OCCUPATIONAL SKILL LEVELS FOR DETERMINING LENGTH OF TRAINING

Our earlier report noted that it was a legislative requirement that JOBS contractors be reimbursed only for their extraordinary costs of training

disadvantaged persons--the costs exceeding those normally incurred in providing training and supportive services to their regular employees. However, the contractors frequently proposed and were awarded contracts providing for payment of the total cost of OJT and supportive services rather than the extraordinary costs. This was due primarily to departmental guidelines which instructed the negotiators to contract on a fixed-unit-price basis, using a predetermined range of costs or amounts computed on a formula basis, and not to analyze contractors' cost data or estimates of anticipated cost.

Although the intent of the Congress as discussed above was incorporated into revised guidelines for the MA-7 program issued by Labor in January 1973, it had not been implemented.

MA-7 guidelines state that :

> "It is the policy of the Manpower Administration that contracted for training programs, such as JOBS, be subsidized only to the extent that the components and services are beyond the employer's regular, ongoing programs."

The guidelines require that the employer's proposed training plan for each occupation be compared with the normal training efforts provided for these occupations and that the proposal be funded only if the plan indicates a substantive increase in effort. In addition, the negotiator is supposed to consider the Specific Vocational Preparation (SVP) level for each occupation in determining the extraordinary costs. SVP is the general length of time required to learn the skills and techniques needed for average performance in a specific job. The SVP training times were developed from studies the U.S. Employment Service made.

MA-7 guidelines also specify maximum allowable OJT hours which may be negotiated under JOBS contracts for the various skill levels. The maximums range from 390 hours of OJT for the lowest skill level occupations eligible for funding to 1,510 hours for the highest skill level occupations eligible. Under the guidelines, the skill level of an occupation is determined by adding the last three digits of Labor's Dictionary of Occupational Titles (DOT) code which classifies the occupation according to its complexity in relation to data, people, and things, respectively. The guidelines stress, however, that the skill levels are only an indicator of the maximum acceptable OJT hours and that costs contracted for should reflect only the additional services needed, over and above the company's normal training program, to train the disadvantaged.

Region IX contract files covering about 65 percent of the 744 positions authorized under the MA-7 program as of April 5, 1973, showed that,

in nearly all cases, the number of OJT hours negotiated for each occupation was at or near the maximum allowable using the DOT skill level codes. The files contained no evidence that the SVP levels, the employers' training plans, or any other data or special analyses were used to determine the number of training hours which should have been negotiated.

Region IX officials acknowledged that to speed up contract negotiations, contracting personnel had emphasized DOT skill level codes in negotiating OJT hours rather than the factors in the guidelines.

Our discussions with Labor officials and review of Labor guidelines, contract records, and correspondence also showed that there are serious questions as to the validity of the DOT skill level codes as a basis for determining job complexity and maximum allowable training hours.

In an August 14, 1973, letter to a region IX official, for example, an official of the California Occupational Analysis Field Center, California Department of Human Resources Development, commented as follows about the reasonableness of using the sum of the last three digits of the DOT code to arrive at the skill level for specific jobs:

> "I know that this (DOT code) information is not helpful in terms of the amount of training that is allowed under the present JOBS system of calculating job training time. Problems of this kind will continue to be encountered, however, so long as Department of Labor programs persist in misusing the 4th, 5th, and 6th digits of the occupational code by attributing "skill level" to the numbers and, more seriously, by adding them up.
>
> "These numbers describe the functional requirements of the job in an extremely stylized way, and they are by no means a precise, quantitative expression of 'skill level.' The occupational significance of these three digits depends on their remaining separate, independent expressions of what the worker does with, respectively, data, with people, and with things in performing a given job. Adding up the assigned code numbers destroys this expression and produces a meaningless number which someone, unfortunately, has associated with a scale of job training time. * * *
>
> "To give just one brief example, out of literally thousands, of the fallacy of adding up digits, the job of Escrow Officer has been coded in the DOT as 169.388 and the job of Garbage Collector I is 909.883, the former indicating significant 'data' requirements in the job and the other indicating significant 'things' functions required by the job. It is doubtful that anyone would be willing to take the position that these two jobs are of the same 'skill level,' or requires the same

amount of job training, or were in any way comparable, yet the 4th, 5th, and 6th digits of both add up to 19. * * *"

To obtain some indication of the extent to which the DOT skill level codes relate to job complexity and training times needed, we compared the DOT skill levels with the SVP levels for a sample of 37 MA-7 contracted jobs. This analysis showed that there was no relationship between the DOT skill levels and their corresponding SVP levels for about one-third of the jobs. For example, the DOT skill level of one job was higher than that of another but the SVP levels for the two jobs indicated that the skill levels should have been the reverse. For jobs having a given DOT skill level, a wide range of SVP levels was possible and vice versa.

The following example illustrates the inconsistencies and inequities among occupations in the training times negotiated as a result of using the DOT skill level codes and not considering the SVP codes.

	DOT Code		
Occupation	Maximum hours allowable	Hours actually contracted	SVP training time in hours
Chinese food cook	1,270	1,240	over 720 to 1,440
Heliarc welder	630	630	over 2,920 to 5,840

Region IX officials concurred with our observations regarding the problems with using DOT skill level codes in the JOBS program. They also noted that these codes were used for the same purpose in other manpower training programs.

A Labor headquarters official said the maximum allowable OJT hours assigned to DOT skill level codes were arbitrarily based on experience in earlier JOBS contract series and program budget considerations. He said there was no scientific basis for adding the last three digits of the DOT code to classify occupations by skill levels.

Manpower Administration officials stated that the use of the skill level concept, though not perfect, remains the simplest method available to indicate the potential maximum length of training for a specific occupation in a JOBS-type program. They felt that the MA-7 program guidelines for determining length of OJT are adequate if properly used and stated that the guidelines are suggested for use in the technical assistance guides issued to CETA prime sponsors. According to the officials, the intake and assessment process suggested in the technical assistance guides should help contract negotiators for prime sponsors determine a more reasonable training cost through a better definition of the types and extent of services to be provided.

We agree that the CETA guides, including the MA-7 program guidelines, would, if properly used, be consistent with the requirement under section 101 of CETA that "* * * payments to employers organized for profit shall not exceed the difference between the costs of recruiting, training, and providing supportive services for low-income persons and those regularly employed. * * *" However, the MA-7 program guidelines had not been properly used.

RECOMMENDATIONS

We recommend that Labor insure that prime sponsors who carry out JOBS-type programs under CETA

--limit training to disadvantaged individuals who require costly OJT and supportive services and

--provide payments to employers only for the costs of training and supportive services to program enrollees which are over and above those normally provided by the employer.

We also suggest that a copy of this report be sent to all prime sponsors as a case study showing problems which should be avoided in JOBS-type programs.

- - - -

Copies of this report are being sent to the Director, Office of Management and Budget. We are also providing copies to the Chairmen of the House and Senate Committees on Appropriations; the House and Senate Committees on Government Operations; the House Committee on Education and Labor; the Senate Committee on Labor and Public Welfare; the Subcommittee on Labor and Health, Education, and Wefare of the Senate Committee on Appropriations; the Subcommittee on Employment, Proverty, and Migratory Labor of the Senate Committee on Labor and Public Welfare; the Select Subcommittee on Labor of the House Committee on Education and Labor; the Select Subcommittee on Education of the House Committee on Education and Labor; the Subcommittee on Education of the Senate Committee on Labor and Public Welfare; the Special Subcommittee on Education of the House Committee on Education and Labor; the General Subcommittee on Education of the House Committee on Education and Labor; and Representative L. H. Fountain.

We want to direct your attention to the fact that this report contains recommendations to you which are set forth on page 10. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committes

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on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We would appreciate your views on the matters presented as well as any action taken or contemplated as a result of this report. We wish also to acknowledge the cooperation given to our representatives.

Sincerely yours,

Gregory J. Ahart

Director

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